Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/29/2003

GAIN Report #PO3011

Portugal

Tomatoes and Products

Annual

2003

Approved by:
Leslie O'Connor
U.S. Embassy Madrid
Prepared by:
Maria do Monte Gomes

Report Highlights:
Portugal's tomato production estimate for MY02/03 is decreased by 20 percent from MY01/02 to 994,709 mt, 84 percent of which (834,709 mt) is expected to be sold for processing. Heavy rains during most of the harvest period destroyed 200,000 mt of fresh tomatoes for processing. Producers and processors are worried about the large amount of Chinese tomato paste entering the EU, Portugal's biggest market.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1], PO

Executive Summary

Portugal's tomato production for Marketing Year (MY) 03/04 (July-June) is forecast to increase 24 percent from MY02/03 when yields were down due to bad weather during harvest. Total production is forecast at 1.23 million metric tons (mt); over 87 percent (1,070,000 mt) is expected to be processed. Production for fresh consumption is expected to remain near MY2002/03 levels.

In MY02/03, production for processing of tomato products is estimated to have been 834,709 mt, 20 percent below the production quota level of 1.05 mt allotted to Portugal under the new threshold regime.

Production of processed tomato products in MY03/04 is forecast to increase 17 percent from MY02/03 production of 153,457 mt, consisting mainly of tomato paste. In MY02/03, diced tomato production was estimated at 3,902 mt, tomato juice production at 12,306 mt, and there was no production of whole peeled tomatoes. MY03/04 production of these products is forecast to be similar to MY02/03 levels.

Portugal's MY03/04 exports of tomato paste are forecasted at 125,000 mt. The main export market continues to be the rest of the European Union (EU), followed by Japan. Exports in MY02/03 are estimated to decrease by eight percent from 130,745 mt in MY01/02.

Since Portugal is self-sufficient in both fresh tomatoes and tomato products -- and is in fact a substantial exporter of tomato paste, there are few opportunities for U.S. exports of these basic processed tomato products.

Production

Seeding normally takes place in mid-April to May. This year's seeding (2003) is running smoothly with mild weather and almost no rain.

Total production for MY03/04 is forecast to increase 24 percent to 1.23 million mt, of which 87 percent, or 1,07 million mt is expected to go to processing. Area planted and production for fresh consumption are both expected to be similar to the previous year. [Note: Data in the PS&D Table for tomatoes for fresh consumption are based on information provided by the National Statistics Institute. Area data for tomatoes for processing in MY02/03 is updated based on actual figures from the National Intervention and Guarantee Institute (INGA), reflecting declared area for that period.]

The MY02/03 crop initially looked to be exceptionally large but it was affected by adverse weather conditions during harvest. Prior to September 15, 2002, producers could not have asked for more perfect growing conditions. However, from September 16 onward, heavy rains began and continued through most of the month of October. About 200,000 mt of tomatoes were reportedly destroyed by the rain. Some producers who planted late in the season in order to harvest later lost almost everything. If it was not for the rain, the crop would have been fantastic with an estimated one million metric tons of tomatoes produced with outstanding quality. In spite of the heavy rains, MY02/03 average yields were only ten percent below those of MY01/02 at 70 mt/hectare (ha).

Roughly 80 percent of total Portuguese tomato production is in the "Ribatejo e Oeste" and the "Algarve" areas. Most of the tomatoes for processing are produced on small (5-10 ha) units. However, the structure of the industry is changing, and an estimated 50 percent of all tomato area (about 6,000 ha) now consist of larger-scale units with new direct-seeding technologies. All areas are irrigated. While the lowER cost of rural labor is one advantage that the Portuguese sector enjoys as compared to other EU countries, costs of other inputs are much higher than in the rest of the EU. Higher land costs seriously hurt the sector.

Fresh Tomato Use By the Processing Industry and Amount of Product Produced (Metric Tons)

	2001/2002		2002/2003	
	Fresh	Processed	Fresh	Processed
Paste	897,267	158,387	810,889	137,249
Whole Peeled	993	754	0	0
Other	18,977	9,610	9,340	3,902
Juice	N/A	N/A	14,480	12,306
Total	917,237	168,751	834,709	153,457

Source: National Intervention and Guarantee Institute (INGA).

Average Producer Prices in Portugal (Portuguese Escudos (PE) or Euros/Metric Tons)

	2000/2001	2001/2002	2001/2002 (*)
Paste & Juice (1)	17,652 PE/mt	34.5 i /mt	34.5 i /mt
Canning (Whole Peeled, Roma Variety)	22,478 PE/mt	34.5 i /mt	34.5 i /mt

(1) For "standard" tomatoes, in accordance with Reg.(CE) 1513/99 of the Commission. Prices are adjusted (+5% or -5%) in accordance with soluble solid levels.

(*) Fixed, as per the new threshold regime for all EU member states, including Portugal.

EURO Rates: EURO=200.482 PE, January 1, 1999; US$1 = 1.17 EURO currently
USD Rates: US$1=220 PE in CY2000; US$ = 225 PE in CY2001

Consumption

Processed tomato products are not an important part of Portuguese cuisine so there is no significant direct consumption of tomato paste in Portugal. Data for domestic consumption in the PSD table includes 20,000 mt (Post estimate) of paste transformed into tomato powder (which is all channeled for export) and other tomato products (mainly pizza sauce).

Trade

Portuguese MY01/02 exports of tomato paste are estimated at 130,745 mt, five percent higher than MY00/01. The main export market continues to be the rest of the EU, followed by Japan. Sales to the United States are minimal, accounting for only 480 mt of total exports in MY01/02. Total exports in MY02/03 are expected to decrease by eight percent to around 120,000 mt when compared with MY01/02 levels. The TRADE MATRIX 2002 data refers to the period July 1, 2002 through December 31, 2002. Data is indicated in net weight.

In MY02/03, China continues to be one of the main "worries" processors face. China has supplied about 80,000 mt of tomato paste to the EU during the period. Although quality is reportedly not very good in general, some of the product exported shows a good quality level. This means that China is working hard to produce a better quality product. Processors are already thinking of new products to replace the production of tomato paste. The EU Commission is also reportedly worried this new source of product.

In general, there are no imports of fresh tomatoes for processing. However, in 2002, an estimated 40,978 mt of fresh tomatoes for fresh consumption were imported. Most of the imports originated in the EU, with Spain accounting for 38,708 mt of total imports.

Stocks

MY02/03 stocks have decreased to an estimated 1,000 mt and MY03/04 stocks are forecast at 5,000 mt.

Policy

In MY01/02, a new EU threshold regime (which replaced the old quota system) was implemented. Portugal's maximum threshold, 1.05 million mt, is considered by the industry to be a little over what the country can actually produce in a normal year. As a result, processors are happy with this new regime, since they will now know in advance what their final costs will be and thus will be able to negotiate with producers at international market prices.

Under this new threshold regime for processed tomato products, Portugal is allowed to produce up to 1.05 million mt of fresh tomato equivalent. Under this regime there is more flexibility as there are no restrictions on the specific type and quantity of each specific type of processed tomato product produced except that it has to be a type of product that was included under the previous quota regime. The aid for tomatoes of 34.5 Euro/mt is paid directly to the producer organizations for the quantity of raw material produced. If a member state exceeds its national threshold limit, aid will only be paid up to its threshold limit. However, if there are one or more member states that do not use their total national thresholds, their unused aid will be transferred, uniformly, to the member states that overrun theirs.

Producers, however, have been adapting quickly to the new regime. Although the Portuguese sector is still very fragmented, there are currently 35 producer organizations; the top 7 are responsible for 50 percent of total production (one is responsible for 15 percent). This fragmentation has hurt the sector since there is no association which can speak for the entire sector. The number of producer organizations will continue to decrease and smaller organizations will merge with larger ones, since the small organizations will not be strong enough to face the challenges of the sector.

Producer organizations have made a major effort to understand and adapt to the new threshold regime. Reportedly, the transition to the new regime has been smooth although some weakness is noted on the management tools producer organizations need to deal with the new regime. The most difficult adjustments found were making producers understand:

1. that they are responsible for how many tomatoes would be produced since they have a new "limit" of 1.05 million mt beyond which aid will not be paid;
2. the market rules necessary to negotiate prices with the processor at international market levels; and
3. the "paper work" related to the new regime.

Marketing

Since Portugal is self-sufficient in both fresh tomatoes and tomato products -- and is in fact a substantial exporter of tomato paste, there are few opportunities for U.S. exports of these basic processed tomato products.

PS&D, Fresh Tomatoes

PSD Table						
Country	Portugal					
Commodity	Fresh Tomatoes				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2001		07/2001
Plnt For Fresh Consump	0	1500	0	1500	0	1500
Plnt For Processing	0	11761	0	11851	0	12000
TOTAL Area Planted	0	13261	0	13351	0	13500
Harv. For Fresh Cons.	0	1500	0	1500	0	1500
Harv. For Processing	0	11761	0	11851	0	12000
TOTAL Area Harvested	0	13261	0	13351	0	13500
Fresh Sale Production	0	155000	0	160000	0	160000
Processing Production	0	917237	0	834709	0	1070000
TOTAL Production	0	1072237	0	994709	0	1230000
TOTAL SUPPLY	0	1072237	0	994709	0	1230000

PS&D Tomato Paste

PSD Table						
Country	Portugal					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	897267	897267	950000	810889	0	1070000
Beginning Stocks	20000	20000	13500	13500	5000	1000
Production	158387	158387	155000	137249	0	165000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	178387	178387	168500	150749	5000	166000
Exports	64781	130745	125000	120000	0	125000
Domestic Consumption	100106	34142	38500	29749	0	36000
Ending Stocks	13500	13500	5000	1000	0	5000
TOTAL DISTRIBUTION	178387	178387	168500	150749	0	166000

Trade Matrix, Tomato Paste

Export Trade Matrix			
Country	Portugal		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period	July-June	Units:	Metric Tons
Exports for:	7/01-6/02		7-12/02
U.S.	480	U.S.	112
Others		Others	
United Kingdom	34148	United Kingdom	20106
Netherlands	19563	Germany	6148
Germany	9669	Netherlands	5056
France	6986	Spain	4605
Italy	6382	Italy	3615
Sweeden	5787	Sweeden	3282
Denmark	4599	France	3093
Ireland	3620	Ireland	2222
Other EU	8683	Other EU	4897
Japan	11154	Japan	4571
Total for Others	110591		57595
Others not Listed	19674		3336
Grand Total	130745		61043

2002 data refers to the period July 1, 2002 through December 31, 2002 (six months).